

INVESTIGATION/
CIA

JENNINGS: Last night we began to tell you the fascinating story of a man named Ronald Rewald. He was an investment banker in Hawaii who now faces charges of swindling his investors out of \$22 million. Well, Rewald says the money isn't missing and that he was working for the CIA. Last night we reported on established links between the CIA and Rewald's firm. Tonight Gary Shepard continues our investigation of the CIA connection.

SHEPARD: Did the Central Intelligence Agency try to have Ronald Rewald killed to keep him from talking?

RONALD\REWALD: At first I didn't believe it. I thought it was total nonsense, and it took a lot of convincing and a lot of evidence and a lot of the facts to be checked out before I recognized that it was, in fact, what was going on.

SHEPARD: Rewald has been indicted by a federal grand jury on 100 counts of fraud, perjury and tax evasion in connection with the bankruptcy of his Honolulu investment company. He claims, and ABC News has evidence, he was a covert agent for the CIA and his firm, Bishop, Baldwin, Rewald, Dillingham and Wong, was a front for a major CIA intelligence operation. It was last November, while Rewald was in jail in Honolulu, that this man, Scott Barnes, who sources say has extensive intelligence background, got a job at this same prison as a guard for one month. Barnes says he was sent in by the CIA.

SCOTT\BARNES To do a profile on Ron, find out who he's talking to, what he is saying and do a psychological makeup on him and see what his mental, emotional status was.

SHEPARD: Then one day Barnes says he was called to a meeting at this hotel with this CIA contact. BARNES: Then all of a sudden we're sitting down at the Royal Hawaii and he says 'We've got to take him out.' You know, kill him.

SHEPARD: Did they tell you why they wanted you to get rid of him? BARNES: That he was a company problem and he obviously knew some things in regards to national security and, you know, he was no longer an asset, he's now a liability.

SHEPARD: Barnes says he quit the assignment and left Hawaii. Brent Carruth, a defense attorney in another CIA case, says that story doesn't surprise him at all. He recalls a threatening conversation he had with one of the government lawyers who are prosecuting Rewald.

BRENT\CARRUTH (attorney): I was told that, in no

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uncertain terms, that they would take, they would take any steps that were necessary to protect a particular agent and that they were going to cover people. And once that was done, then they were going to go after Ron Rewald, not before.

SHEPARD: And the 'they' you're speaking of is whom?
CARRUTH: Central Intelligence Agency.

SHEPARD: The CIA denies it ever tried to kill Rewald and refuses to say whether it tried to buy off any of the 400 investors in Rewald's company, investors who lost \$22 million. A number of them have filed lawsuits against the CIA to recover their missing money. Ted Frigard, who lost \$287,000 is one of them. He says the government offered him a payoff if he'd drop his lawsuit against the agency. TED FRIGARD (investor): Their offer was that they would pay me \$350,000 in triple A, unregistered, municipal bonds. And then as we got up to leave, the man said, 'You know, if you become too big of a pain in the arse,' he said, 'they will shoot you through the heart. They will report it as a heart attack. Your body will be cremated by mistake and all that will be left will be the coroner's report that you had a heart attack.'

SHEPARD: Frigard says the CIA never came through with the money and he's still suing. Why so much agency concern with the Bishop, Baldwin story getting out? ABC News has learned that Rewald's company provided the cover for some of the CIA's most sensitive and potentially embarrassing operations. Not only was Bishop, Baldwin involved in selling arms to Taiwan, India and Syria and promoting financial panic in Hong Kong, it was also fueling capital flight from two allies, Greece and the Philippines, countries with destabilized economies, in exchange for intelligence information. And, according to Ron Rewald, the agency was conducting illegal domestic operations, spying on foreign students on college campuses and planting domestic propaganda. But despite his CIA connection, Rewald still faces 100 federal criminal charges. His trial is scheduled to begin on Nov. 7. Gary Shepard, ABC News, New York.